



## **Commerce One Holdings Inc.**

**Financial Results briefing for Q4 and Fiscal Year Ended March 31, 2024 [with Q&A]**

**May 18, 2024.**

## Event Summary

[Company Name]	Commerce One Holdings Inc.	
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[Date]	May 18, 2024	
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[Speakers]	Kiwamu Shimizu	Director and General Manager of Administration Headquarters
	Mariko Masui	Economic Analyst and Management Consultant
	Saori Arai	Freelance Announcer

# Main Text

**Shimizu:** I am Shimizu, Director and General Manager of Administration Headquarters at Commerce One Holdings Inc. Thank you for taking the time to join us today.

Without further ado, I would like to begin the presentation.

## Table of Contents



<b>Today's Agenda</b>	1. <b>FY3/2024 Q4 &amp; Full-Year Highlights</b>	<b>P. 03</b>
	2. <b>FY3/2025 Full-Year Forecast</b>	<b>P. 18</b>
	3. <b>Growth Strategy</b>	<b>P. 24</b>
	4. <b>Overview of Our Business</b>	<b>P. 38</b>

Today, I will explain our company overview, the financial summary for the fiscal year ended March 2024, the full-year performance forecast for the fiscal year ending March 2025, and our growth strategy and business overview.

## Corporate Philosophy

### 3. Growth Strategy



### Corporate Philosophy



#### Our Vision

**To be an e-commerce platform that maximizes the power of people who leverage technology**



#### A Society We Aspire to Build

**We aspire to build a society that is fair and empowers anyone to pursue self-realization**

Let me start with an overview of our company.


As previously introduced, Commerce One Group operates by supporting e-commerce businesses.


Our corporate philosophy is to be an e-commerce platform that maximizes the power of people using technology. We aspire to build a society that is fair and empowers anyone to pursue self-realization.






## Business Description

3. Growth Strategy

**Our Business**





 <p>Future Shop Co., Ltd</p> <p>Provides a SaaS-based platform for developing e-commerce sites</p>	 <p>Softel Inc.</p> <p>Offers e-commerce sales and inventory management systems tailored to each client's needs</p>	 <p>TradeSafe Inc.</p> <p>Provides certification services for e-commerce sites and management support tools that visualize order trends based on data analysis</p>
 <p>SOLAIRO, INC.</p> <p>Provides web-based customer service solutions to increase repeat rate, create conversion opportunities, and improve Life Time Value (LTV).</p>	 <p>SAMURAI TECHNOLOGY Co., Ltd</p> <p>Provides optimal solutions based on its system development track record that has built over 20 years</p>	

**Commerce One Holdings Group provides SaaS-based e-commerce platform services to small and medium sized companies operating e-commerce sites in Japan.**

As explained at left, our Group operates under a single segment of e-commerce platform business.

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26

Under this philosophy, we operate our business with the five companies listed on the slide as part of our group. Our main focus is the SaaS-based e-commerce platform business, which we offer to small and medium-sized e-commerce site operators in Japan.

Future Shop is a SaaS-based e-commerce site construction platform that accounts for about 70% of our group's sales.

Supporting this is Softel, which creates back-office solutions. They provide sales management, inventory management systems, and customization services for e-commerce businesses.

TradeSafe is the original business of our group, offering e-commerce site certification services and management support tools that display order trends and other data.

Additionally, Sorairo provides web customer service tools for e-commerce.

Samurai Technology is a company that provides the necessary engineering resources to create SaaS platforms, and it has been integrated into our group.

## Product Portfolio that Provides Total E-Commerce Support

3. Growth Strategy

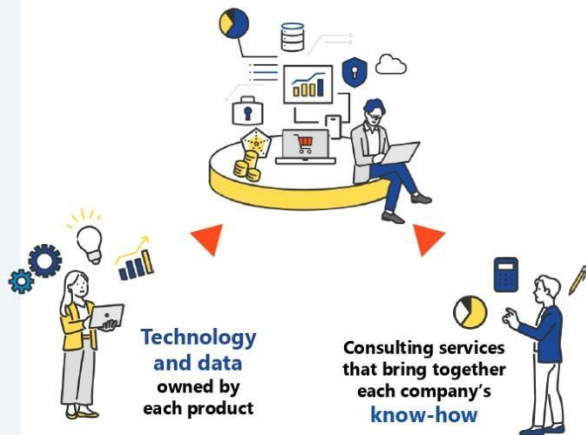


### Our Product Portfolio Provides Total E-Commerce Support

#### Enhance enterprise DX and productivity

through e-commerce support

DX (digital transformation)



#### Front-end products

SaaS-based e-commerce platforms



Web-based customer service solution



#### Safe transactions

Symbol of trust and security

#### Back-end products

Sales & inventory software



Database support

**Fast Connector®**



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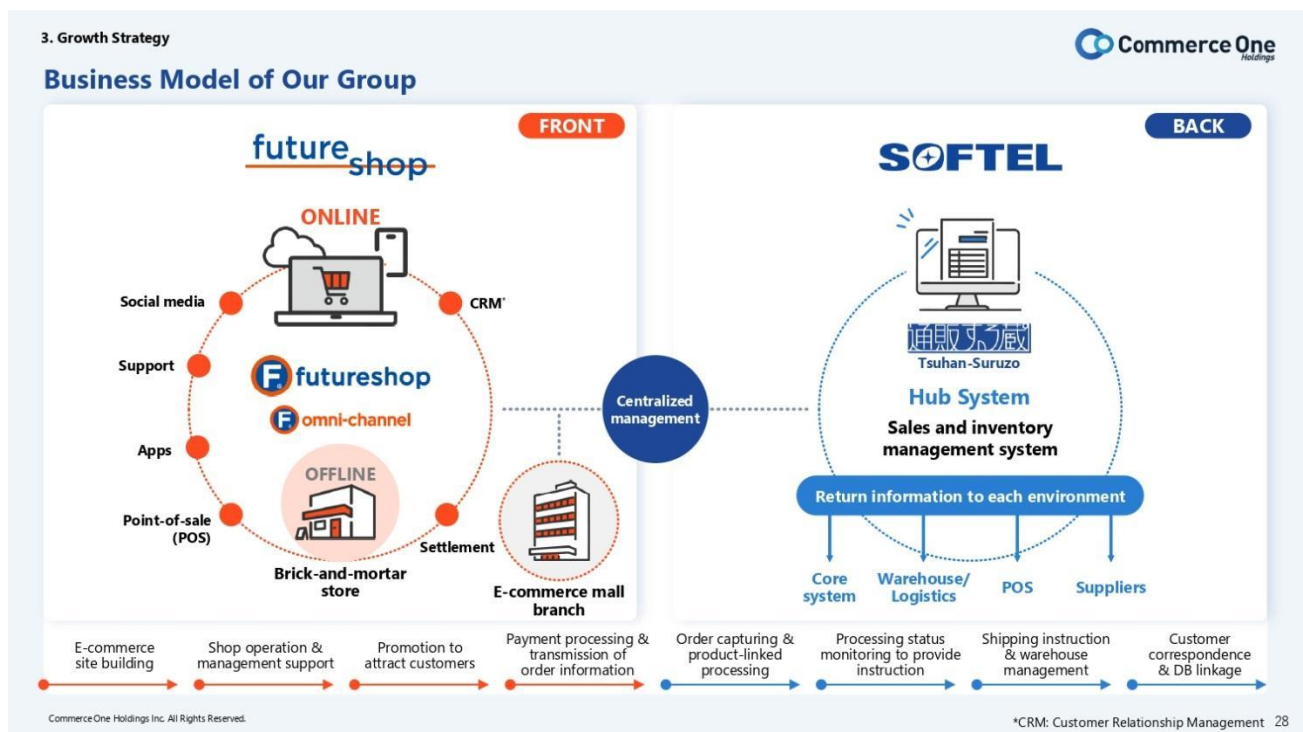
27

This slide explains the products held by these companies. As front-end products for e-commerce site, we have “futureshop” and “omni-channel”, known as e-commerce platforms, and “WhatYa”, a web customer service solution.

In the back-end products, we have “Tsuhan-Suruzo” and “Fast Connector”, a database support tool, as well as TradeSafe’s “TradeSafe Trustmark”, which ensures safe and secure e-commerce transactions by certifying e-commerce sites.

Our group’s business is to aggregate the data and know-how possessed by these products and support the digital transformation (DX) and productivity improvement of small and medium-sized enterprises and e-commerce operators.

## Group Business Model



This slide explains the distinctive features of our group's business model. futureshop serves as the front-end e-commerce site construction platform, while Softel provides the back-office integration system, Tsuhan-Suruzo, for unified management.

Businesses that have their own sites often also operate on e-commerce malls like Rakuten and Amazon, leading to complicated inventory management across their own site and the e-commerce malls.

Therefore, our business model involves futureshop handling the front-end sales side and Softel managing the unified back-office operations such as inventory management.

**Masui:** Earlier, you introduced "futureshop" and "Tsuhan-Suruzo." Could you tell us which industries your customers mainly come from for each?

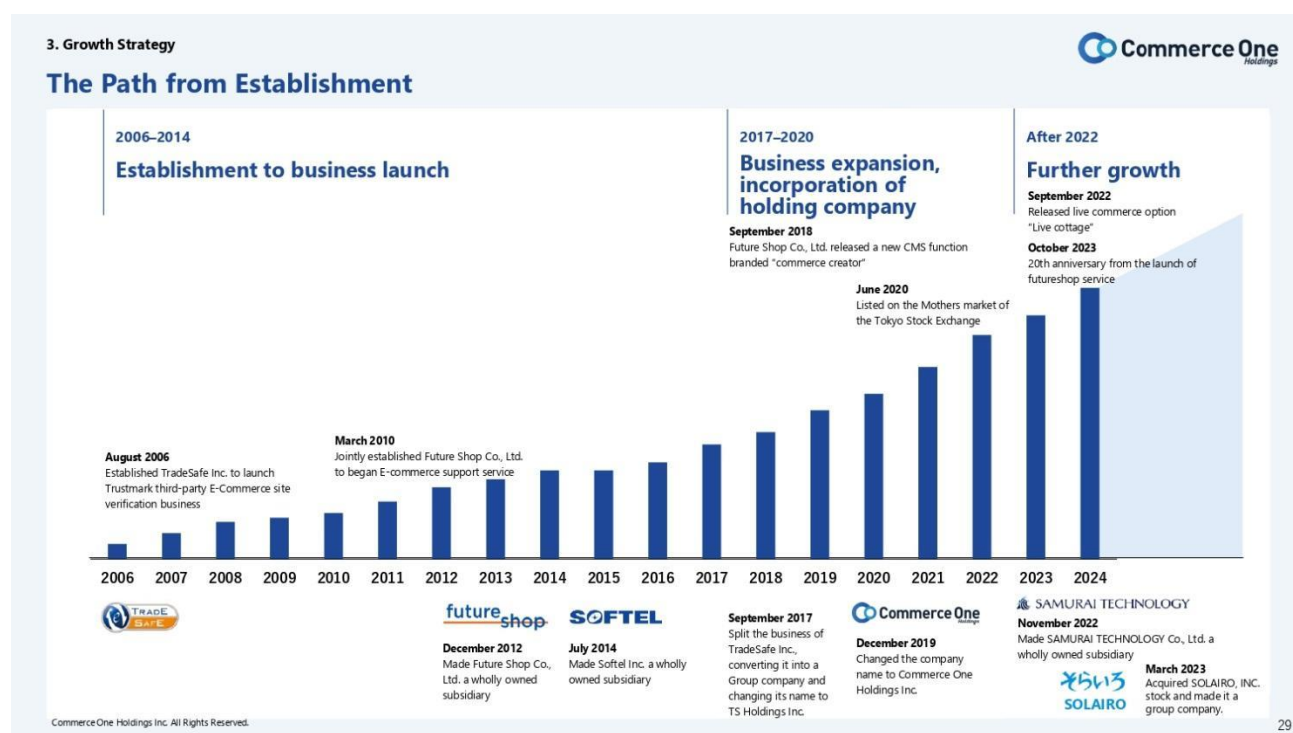
**Shimizu:** First, regarding futureshop, our customers are primarily those who want to create their own sites. Companies that wish to showcase their brand more uniquely than on other e-commerce shops like Rakuten or Amazon often use our service, with a significant number from the apparel industry. Moreover, following the COVID-19 pandemic, there has been a noticeable increase in companies wanting to sell their own brand of food products.

On the other hand, "Tsuhan-Suruzo" is used mainly by companies selling on e-commerce malls. Thus, while many of these are also in the apparel industry, dealing in a wide variety of small quantities, we also see a substantial number of sports goods companies.

**Masui:** For instance, golf equipment and other sports goods seemed to have had steady demand even during the pandemic.

**Shimizu:** Yes, exactly. Additionally, camping gear has also been quite popular.

## Trajectory Since Establishment



**Shimizu:** As shown in the graph on the slide, our group has been growing steadily since its founding.

Our group was founded in 2006, gradually expanding various businesses while focusing on the theme of trust and safety in the e-commerce market. At the same time, we have steadily increased our sales.

By continuously building trust and gaining support, we have grown our diverse customer base. In 2018, we released our main solution "commerce creator," which has significantly contributed to our business growth.

In the past three years, the impact of COVID-19 cannot be overlooked. The pandemic led to a surge in e-commerce demand, which increased consumer numbers and significantly grew our group's business along with our customers.

In terms of the environment, internet security has become a social issue. Since around 2020, our group has prioritized investing in security measures to create a safe transaction environment.

**Arai:** May I ask, what was the original impetus for founding the Company?

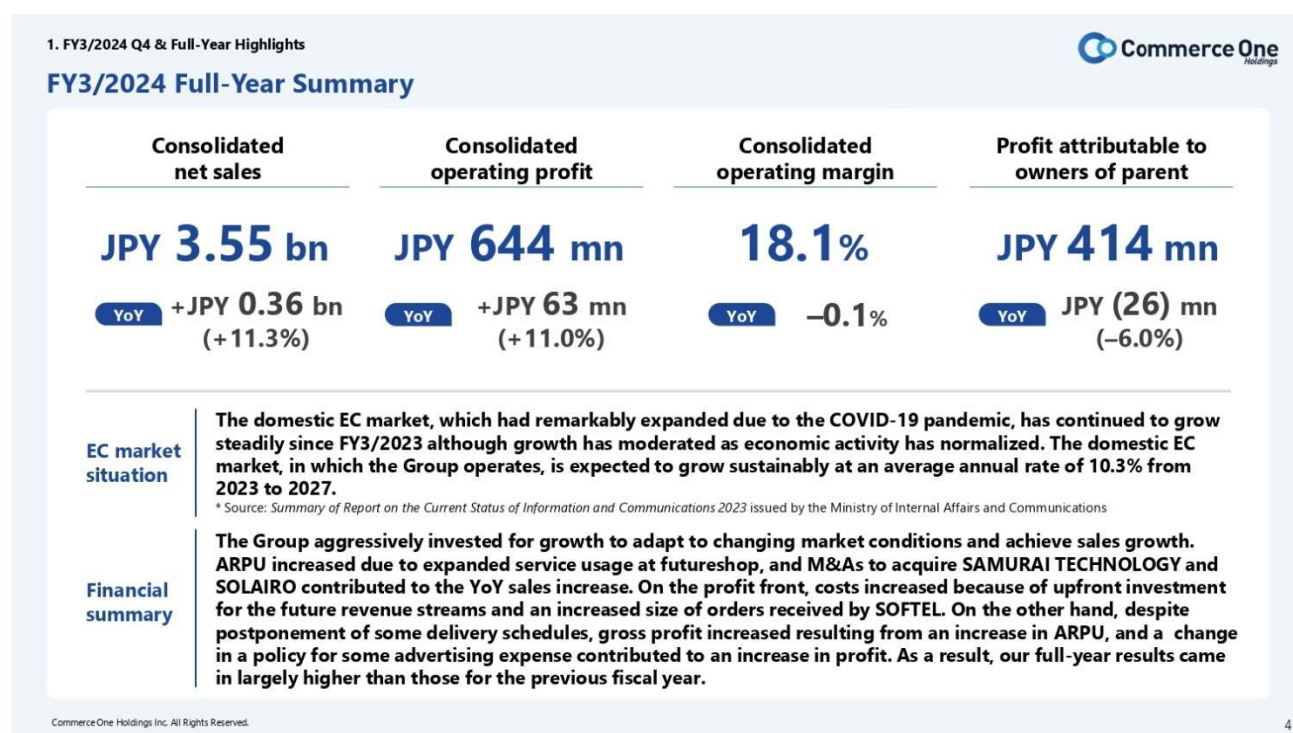
**Shimizu:** As I mentioned earlier, our basic philosophy is to aspire to build a society that is fair and empowers anyone to pursue self-realization. Our CEO Okamoto often says, "We aim for the healthy development of society."

Our original business was TradeSafe. Around 2006, when TradeSafe was founded, internet shopping was still fraught with issues such as undelivered goods and fraudulent payments. TradeSafe was established to provide a certification service with the idea that "if this mark is in place, you can shop without worry."

Maintaining this core management philosophy, we continue to strive to provide mechanisms that support small and medium-sized enterprises in a healthy manner, ensuring they can compete with larger corporations.



## FY3/2024 Full-Year Summary



**Shimizu:** This is the financial summary for the fiscal year ended March 2024. Consolidated net sales were JPY3.55 billion, consolidated operating profit was JPY644 million, with a consolidated operating margin of 18.1%, and profit attributable to owners of parent was JPY414 million.

Compared to the same period last year, consolidated net sales increased by JPY360 million, an 11.3% increase. Consolidated operating profit increased by JPY63 million. However, the consolidated operating margin decreased by 0.1%. Profit attributable to owners of parent decreased by JPY26 million, roughly a 6% decrease.

Regarding the e-commerce market, while the impact of the recent COVID-19 cannot be ignored, it is normalizing, leading to a return of real consumption. Thus, although the e-commerce business saw a rapid increase, it is now stabilizing.

However, the e-commerce penetration rate in Japan is still lower compared to Europe and the US. It is expected to grow at an average annual rate of about 10.3% from 2023 to 2027, indicating a market with sustainable growth potential.

In this context, our group's performance overview shows steady sales growth. The expansion of futureshop services has increased average revenue per user (ARPU), and the acquisition of Samurai Technology and Sorairo in 2023 has contributed to sales growth.

In terms of profit, despite an increase in costs due to upfront investments, the overall profit has increased mainly due to the rise in ARPU of futureshop.

The slight decrease in profit attributable to owners of parent was primarily due to the substantial sale of investment securities in 2023 rather than the impact of business operations.

**Masui:** The increased costs due to upfront investments, are they related to energy, among other things?

**Shimizu:** As I will explain later, part of the upfront investments includes investments in new businesses such as energy, as well as research and development for providing financial services to e-commerce operators and developing generative AI services for business efficiency. These upfront investments around the e-commerce business have led to a slight increase in costs.

## FY3/2024 Q4 Highlights

1. FY3/2024 Q4 & Full-Year Highlights

**FY3/2024 Q4 Highlights**

— Status of each subsidiary in FY3/2024

**future shop**

**Although the growth rate of EC market settled down due to the relaxed restrictions on activities under the COVID-19 pandemic and consumption scene returning to real life, various metrics for the financial results grew steadily in general.**

- Started offering “future M-App,” an app that seamlessly connects to EC sites.
- Expanded a target area by enhancing functions through the version upgrades of futureshop series (See p. 14 of [the presentation material on Business Plan and Growth Potential](#) for more detail.) Now the upgraded version can:
  - automatically calculate shipping charges for bundled delivery of refrigerated, frozen, and room temperature products, a complicated task for food EC, and
  - eliminate users’ concerns about delivery date and time by setting a lead time.
- Expanded the support business domain by strengthening collaboration with other service providers
  - Started accepting advance applications for optional services that enable “au PAY (net payment)”

**SOFTTEL**

**To promptly get SAMURAI TECHNOLOGY, a newly acquired subsidiary, work-ready for SOFTEL’s business, we are making on-going efforts to dispatch engineers from SOFTEL and to develop an OJT\* program. In some cases, some of SAMURAI TECHNOLOGY employees have been assigned to new implementation projects of Tsuhan-Suruza as key personnel, progressing smoothly toward getting work-ready at an early stage.**

- Customer stores received annual awards for excellence at Rakuten Ichiba, Rakuten Rakuma, Yahoo! Shopping, Yahoo! Auction, au PAY Market, etc.

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\* OJT stands for “On the Job Training,” a training method to acquire business knowledge through practice in the workplace.

5

**Shimizu:** Next, I would like to explain the current situation of each group company for the period. As mentioned earlier, Future Shop has been developing new solutions due to a slight shift in consumption towards the real side due to the impact of COVID-19, and has started providing “future M-App”.

This is an app creation tool that connects stores and e-commerce sites, enabling cross-channel sales promotion both online and offline.

Softel has been actively investing in human resource development to leverage the engineering resources of Samurai Technology, acquired in 2023, as immediate assets. As a result, we have increased development outsourcing and enhanced the functionality of “Tsuhan-Suruza,” with the total transaction volume handled by e-commerce operators using our service surpassing JPY300 billion.

Additionally, we are currently developing the next-generation backend platform “Commerce Connect” and are increasing internal resource investment in this area.

**Masui:** How much progress has been made in utilizing Samurai Technology's engineering resources?

**Shimizu:** Samurai Technology was not initially a group specializing in e-commerce engineering. Therefore, they did not have extensive knowledge related to e-commerce operations.

Thus, including the current period, they have been learning various e-commerce business practices, which has enabled us to invest resources more aggressively. The operating profit margin has been steadily improving.

## FY3/2024 Financial Highlights

1. FY3/2024 Q4 & Full-Year Highlights



### FY3/2024 Financial Highlights

Consolidated

#### Commerce One Holdings

(Thousands of yen)

	FY3/2023 Results	FY3/2024 Results	YoY Change	YoY % Change
Net sales	3,196,433	3,557,276	+360,843	+11.3%
Operating profit	580,350	644,001	+63,651	+11.0%
Ordinary profit	608,006	702,414	+94,408	+15.5%
Profit before income taxes	679,533	696,045	+16,512	+2.4%
Profit attributable to owners of parent	441,358	414,864	(26,494)	-6.0%

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6

**Shimizu:** The financial highlights are as explained earlier.

## Achievement Against FY3/2024 Plan

1. FY3/2024 Q4 & Full-Year Highlights



### Achievement against FY3/2024 Budget

Consolidated

#### Commerce One Holdings

(Thousands of yen)

	FY3/2024 Results	FY3/2024 Full-year Revised Budget (Budget before revision)	Achievement vs. budget
Net sales	3,557,276	3,561,559 (3,558,054)	-0.1%
Operating profit	644,001	649,569 (488,043)	-0.9%
Ordinary profit	702,414	702,301 (502,820)	+0.0%
Profit attributable to owners of parent	414,864	422,922 (336,709)	-1.9%

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7

**Shimizu:** Let me explain the achievement against the full-year plan. The plan was revised in March 2024, and the slide compares the actual performance against the revised plan. As you can see, the results are almost in line with the plan.

Compared to the initial plan, there is a significant overshoot. The main factors for the upward revision include higher-than-expected ARPU for “futureshop” and a review of our marketing cost strategy, which helped control expenses.

## FY3/2024 Highlights of futureshop

1. FY3/2024 Q4 & Full-Year Highlights



### FY3/2024 Highlights of futureshop

Non-Consolidated **futureshop**

**future**shop

Net sales

JPY **2.57** bn

YoY

+JPY **0.13** bn  
(+5.7%)

Operating profit

JPY **819** mn

YoY

+JPY **119** mn  
(+17.0%)

Operating margin

**31.8%**

YoY

+3.1%

GMV

JPY **198.8** bn

YoY

+JPY **5.92** bn  
(+3.1%)

Number of contracts  
as of March 31, 2024

**2,881**

FYTD

(37)  
(-1.3%)

ARPU

JPY **74,254**

YoY

+JPY **4,690**  
(+6.7%)

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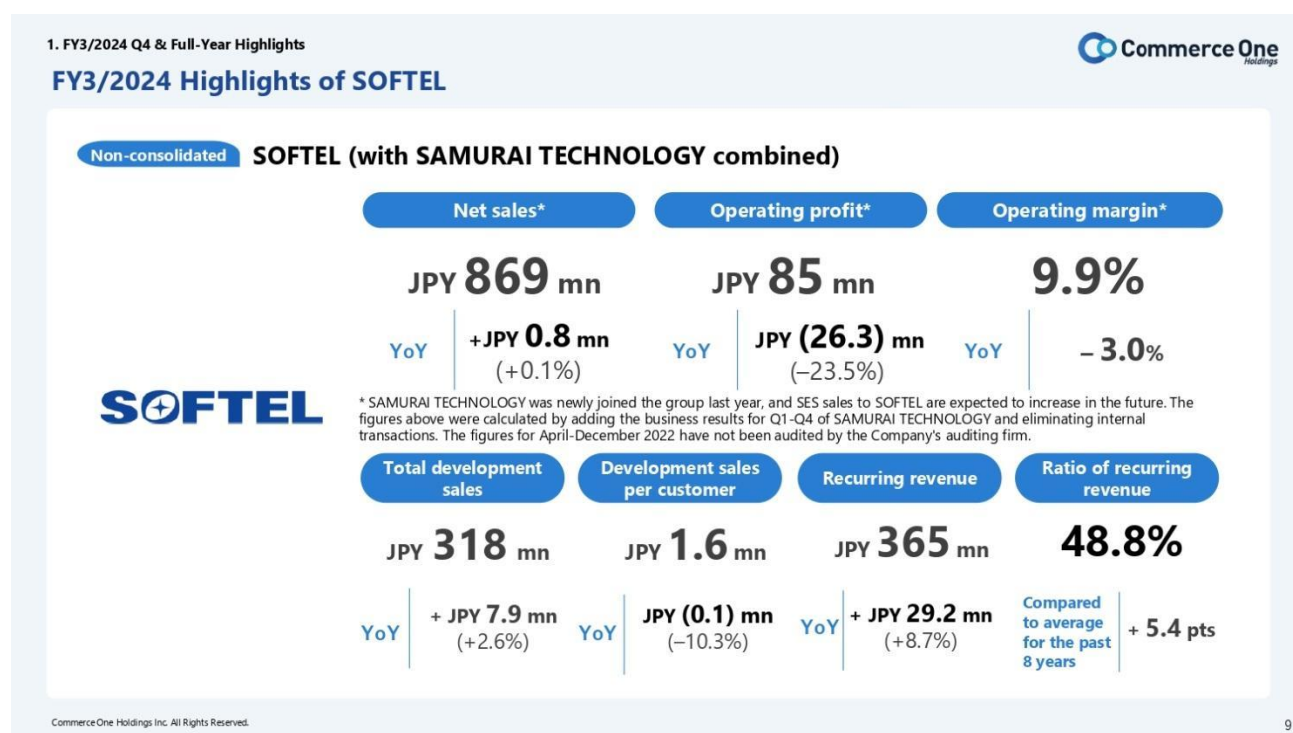
8

**Shimizu:** This is the non-consolidated financial summary for “futureshop.” Net sales were JPY2.57 billion, an increase of JPY130 million YoY. Operating income was JPY810 million, an increase of JPY110 million YoY, with an operating margin of 31.8%, an increase of 3.1% YoY.

The gross merchandise volume (GMV) of our customers was JPY198.8 billion, an increase of approximately JPY5.92 billion YoY. The number of contracts at the end of March slightly decreased to 2,881.

ARPU was JPY74,254, an increase of JPY4,690 YoY, indicating a steady but gradual increase.

## FY3/2024 Highlights of SOFTEL



**Shimizu:** The slide shows the combined figures for Softel and Samurai Technology. Net sales were JPY860 million, a 0.1% increase YoY, approximately JPY800,000. Operating income was JPY85 million, a decrease of approximately JPY26 million YoY, with an operating margin of 9.9%, a decrease of 3% YoY.

The decrease in operating profit margin YoY is due to the training of Samurai Technology's engineering resources, as mentioned earlier. However, when looking at the quarterly progress for the current fiscal year, the operating margin is gradually increasing, and we expect further improvement this fiscal year.

**Masui:** It says that the recurring revenue ratio is 48.8%. Does this mean you have a plan that continues to charge after starting system operations?

**Shimizu:** Yes. Basically, we have a system called "Tsuhan-Suruzo" and there are individual requests from customers, such as "I want to transfer data to an accounting system," so we customize it slightly.

Recurring revenue refers to the maintenance and operation portion. Once development is completed, we receive maintenance and operation fees for nearly 100% of the projects.

Therefore, sales other than recurring revenue come from one-time development. For example, when e-commerce malls like Rakuten or Amazon change their specifications, customers need to respond, so new development is required for customization. We charge development sales fees for these services.

**Masui:** So, these are options or separate developments?

**Shimizu:** Yes, exactly.



## FY3/2024 Balance Sheet Comparison to March 31, 2023

1. FY3/2024 Q4 & Full-Year Highlights

### FY3/2024 Balance Sheet: Flux Analysis Compared to March 31, 2023



Non-consolidated Commerce One Holdings		(Thousands of yen)	
	March 31, 2023	March 31, 2024	YoY Change
<b>Current assets</b>	<b>1,021,169</b>	<b>529,383</b>	<b>(491,786)</b>
Cash and deposits	796,794	414,658	(382,136)
<b>Non-current assets</b>	<b>809,641</b>	<b>1,223,843</b>	<b>+ 414,202</b>
Investment securities	536,568	725,989	+ 189,421
Shares of subsidiaries and associates	202,368	429,883	+ 227,515
<b>Current liabilities</b>	<b>10,764</b>	<b>12,554</b>	<b>+ 1,790</b>
<b>Non-current liabilities</b>	<b>129,971</b>	<b>181,811</b>	<b>+ 51,840</b>
<b>Net assets</b>	<b>1,690,074</b>	<b>1,558,861</b>	<b>(131,213)</b>
<b>Shareholders' equity</b>	<b>1,428,623</b>	<b>1,179,680</b>	<b>(248,943)</b>
Retained earnings	1,179,680	808,917	(370,763)
Treasury shares	(139,224)	(36)	+ 139,188

Capital contribution to Enecycle (a decrease of JPY250,800 thousand) and payment of interim dividends (a decrease of JPY193,995 thousand)

Rise in stock prices of investee companies and depreciation of the yen

Investment in Enecycle (an increase of JPY250,800 thousand)

Cancellation of treasury shares (a decrease of JPY248,951 thousand) and payment of interim dividends (a decrease of JPY194,220 thousand)

Repurchase and cancellation of treasury shares

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10

**Shimizu:** This is the non-consolidated balance sheet for Commerce One Holdings. Since we had the year-end financial report recently, this slide shows the non-consolidated figures.

Cash and deposits have been affected by our investment in a related company called Enecycle, which I'll explain later. Enecycle has become an equity-method affiliate based on an investment of approximately JPY250 million.

Our group started paying dividends from the middle of the previous fiscal year. We paid a total dividend of JPY27 per share last fiscal year, including a commemorative dividend of JPY20, resulting in a cash outflow of just under JPY200 million.

Another significant change in the balance sheet is treasury stock. We started acquiring treasury stock in the previous fiscal year, and during this fiscal year, we additionally purchased and retired approximately JPY248 million worth of treasury stock.

## FY3/2024 Income Statement Compared to FY3/2023

1. FY3/2024 Q4 & Full-Year Highlights



### FY3/2024 Statements of Income: Flux Analysis Compared to FY3/2023

Non-consolidated		Commerce One Holdings		(Thousands of yen)
	FY3/2023	FY3/2024	YoY Change	
Net sales	358,800	310,690	(48,110)	Decrease in dividends from Group companies
SG&A expenses	250,607	271,547	+ 20,940	Increase in fees paid, mainly for additional M&A-related fees and listing administration costs
Operating profit	108,192	39,142	(69,050)	
Non-operating income	26,580	46,725	+ 20,145	Increase in foreign exchange gains due to yen depreciation
Non-operating expenses	81	65,836	+ 65,755	Provision of allowance for doubtful accounts for loans from HD (+JPY65,000 thousand) due to loss on valuation of shares of SOLAIRO * No impact on the consolidated statements of income
Ordinary profit	134,692	20,031	(114,661)	
Extraordinary income	71,526	24,146	(47,380)	
Extraordinary losses	—	23,285	+ 23,285	Decrease in gain on sales of investment securities due to decrease in number of shares sold
Profit	228,836	55,075	(173,761)	Recording of loss on valuation of shares of SOLAIRO

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11

**Shimizu:** This is the income statement. As Commerce One Holdings is a group, we omit sales details here. However, I would like to explain that non-operating expenses, which were minimal in previous years, have increased significantly to JPY65 million this fiscal year.

This increase is due to the impairment loss on the shares of Sorairo, which we acquired through M&A in the previous fiscal year. We have recorded a provision for doubtful accounts amounting to JPY65 million for loans from Commerce One Holdings.

However, the decrease in Sorairo's profitability pertains to their existing products. Our M&A objective was to develop optional tools for "futureshop" through Sorairo, and this initiative is progressing well.



## Comparison of Q3 and Q4 in FY3/2024

1. FY3/2024 Q4 & Full-Year Highlights

**Comparison of Q3 and Q4 in FY3/2024**

**Consolidated Commerce One Holdings** (Thousands of yen)

	3Q FY3/2024	Q4 FY3/2024	QoQ Change	
<b>Net sales</b>	<b>886,634</b>	<b>928,669</b>	<b>+42,035</b>	Sales mainly from SOFTEL on a completed contract basis increased in Q4
<b>Operating profit</b>	<b>174,810</b>	<b>197,574</b>	<b>+22,764</b>	
<b>Ordinary profit</b>	<b>183,682</b>	<b>205,065</b>	<b>+21,383</b>	
<b>Operating margin</b>	<b>19.7%</b>	<b>21.3%</b>	<b>+1.6 pts</b>	Taxable income increased due to incurrence of non-deductible items including provision of allowance for doubtful accounts for loans to SOLAIRO and loss on valuation of shares in Q4
<b>Profit attributable to owners of parent</b>	<b>129,703</b>	<b>94,095</b>	<b>(35,608)</b>	

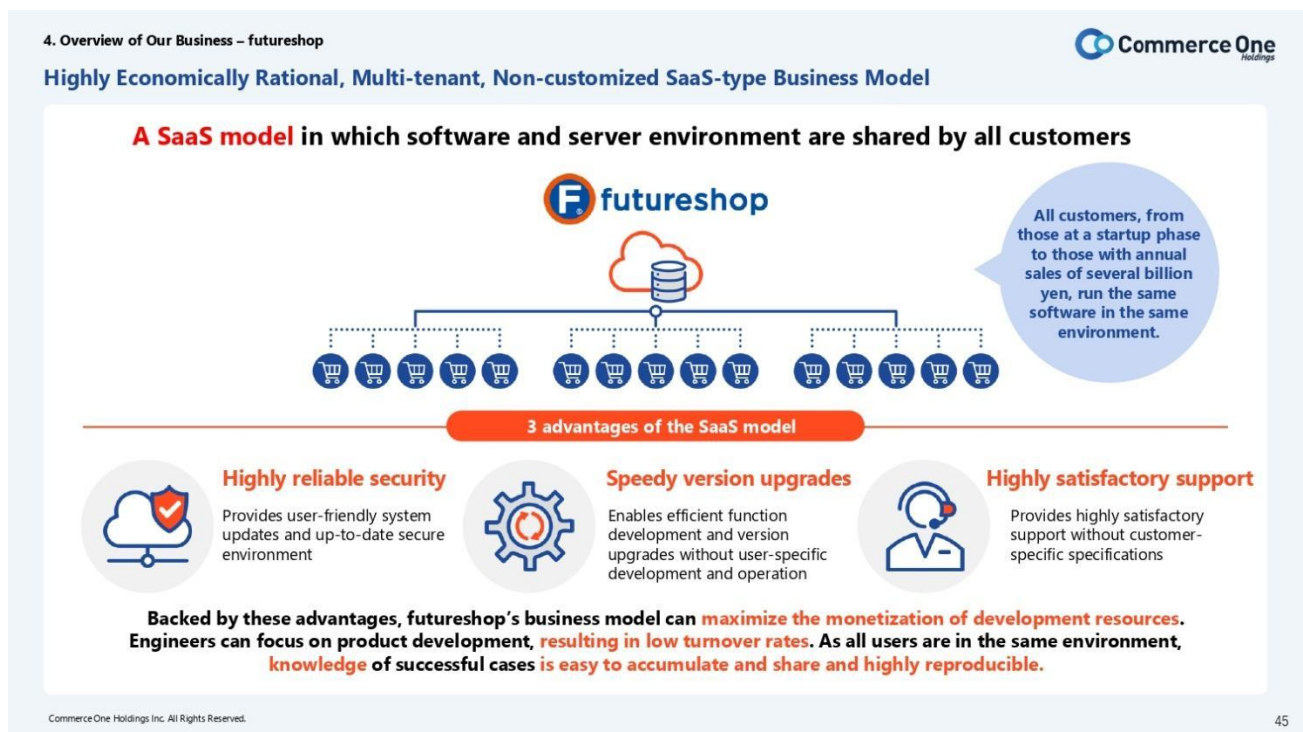
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**Shimizu:** This is a comparison of the consolidated Q3 and Q4 results for Commerce One Holdings. Generally, Q4 is always better than Q3. This is mainly because Softel's revenue from completed projects tends to accumulate towards the fiscal year-end, resulting in higher sales and profits in Q4 compared to other quarters.

Profit attributable to owners of parent decreased in Q4 due to increased taxes related to the provision for doubtful accounts for Sorairo.

**Masui:** Your operating margin is around 20%, which is relatively high in the industry. What factors contribute to this?

## Highly Economically Rational, Multi-Tenant, Non-Customized SaaS-Type Business Model



**Shimizu:** One of the main factors is the business structure of futureshop, which accounts for 70% of our group's sales.

All customers share the same software and server environment in a SaaS model, which is essentially non-customized. This means that we don't create unique environments for each customer, allowing for centralized development.

One advantage is secure and reliable systems. When we update the system, it applies to all users, maintaining the latest secure environment without individual updates.

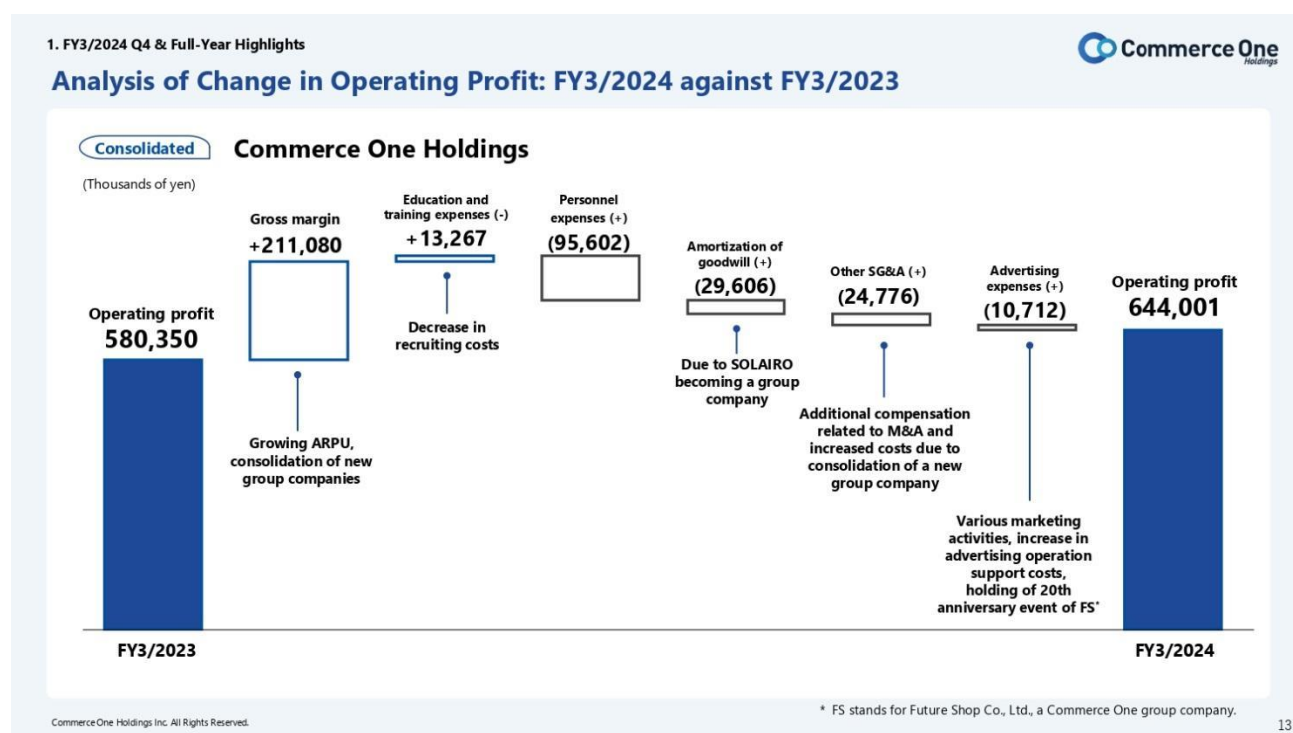
Another point, as mentioned on the slide, is speedy version upgrades. Because we don't customize for individual clients, we can provide high customer satisfaction by offering various advice and support.

As a result, we can maximize the profitability of our development resources. Since the environment is unified, engineers can focus on product development. This also leads to a lower turnover rate, reducing human resource risks.

All customers being in the same environment allows us to accumulate knowledge of successful patterns. By leveraging this in consulting, we can help customers replicate growth, maintaining high operating margins.

**Masui:** If you customize for each customer, you often need on-site support, which can lead to higher turnover rates. In this sense, you're providing a better environment for your employees too.

## Analysis of Change in Operating Profit: FY3/2024 Against FY3/2023



**Shimizu:** This is the YoY analysis of operating profit. Consolidated operating profit for the current fiscal year was approximately JPY644 million, up from JPY580 million in the previous year. The slide analyzes these details. The JPY211 million increase in gross profit on the left side of the slide is the main factor driving the increase in operating profit.

A new factor is the amortization of goodwill resulting from the acquisition of Sorairo, as mentioned earlier. There was no goodwill in the previous fiscal year, so the goodwill amortization incurred this fiscal year has an impact.

Additionally, personnel-related expenses associated with M&A increased by approximately JPY95 million. As a result, operating profit increased, landing at approximately JPY644 million.

## YoY Analysis of Operating Profit to Profit Before Income Taxes

1. FY3/2024 Q4 & Full-Year Highlights



### YoY Analysis of Operating Profit to Profit Before Income Taxes

Consolidated

#### Commerce One Holdings

(Thousands of yen)

	FY3/2023 Results	FY3/2024 Results	YoY Change
Operating profit	580,350	644,001	+63,651
Non-operating income	27,818	59,566	+31,748
Non-operating expenses	162	1,153	+991
Ordinary profit	608,006	702,414	+94,408
Extraordinary income	71,526	24,146	(47,380)
Extraordinary loss	—	30,515	+30,515
Profit before income taxes	679,533	696,045	+16,512
EBITDA*	699,016	794,441	+95,425

Increase in foreign exchange gains due to the depreciation of yen and receipt of sponsorship for futureshop 20th anniversary event

Decrease in gain on sale of investment securities due to a decrease in the number of shares sold.

Impairment loss on goodwill arising from making SOLAIRO a consolidated subsidiary

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\*EBITDA: Operating profit + depreciation + amortization of goodwill

14

**Shimizu:** Regarding operating profit and other reportable profit categories, I'll focus on the major points.

We recorded an extraordinary loss of approximately JPY30.51 million as a result of the impairment loss on goodwill due to the inclusion of Sorairo in the Group. This was disclosed in a timely manner and reflects the decline in profitability of their existing products.

## YoY Analysis of Balance Sheet: March 31, 2024 Against March 31, 2023

1. FY3/2024 Q4 & Full-Year Highlights



### YoY Analysis of Balance Sheet: March 31, 2024 against March 31, 2023

Consolidated Commerce One Holdings		(Thousands of yen)	
	March 31, 2023	March 31, 2024	YoY Change
<b>Current assets</b>	<b>2,306,778</b>	<b>2,305,885</b>	<b>(893)</b>
Cash and deposits	1,608,724	1,733,879	+125,155
Deposits paid	112,220	994	(111,226)
<b>Non-current assets</b>	<b>1,199,215</b>	<b>1,576,802</b>	<b>+377,587</b>
Investment securities	563,479	1,002,854	+439,375
Goodwill	61,031	–	(61,031)
<b>Current liabilities</b>	<b>808,247</b>	<b>915,574</b>	<b>+107,327</b>
<b>Non-current liabilities</b>	<b>81,345</b>	<b>122,138</b>	<b>+40,793</b>
<b>Net assets</b>	<b>2,616,399</b>	<b>2,844,974</b>	<b>+228,575</b>
Shareholders' equity	2,354,948	2,465,794	+110,846
Treasury shares	(139,224)	(36)	+139,188
Valuation difference on available-for-sale securities	261,450	379,180	+117,730

Completed repurchase of treasury shares under a discretionally trading contract in June

Rise in stock prices of investee companies, depreciation of the yen, and capital contribution to Enecycle  
Impairment loss on goodwill arising from making SOLAIRO a consolidated subsidiary

Repurchase and cancellation of treasury shares

Rise in stock prices of investee companies and depreciation of the yen

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15

**Shimizu:** This is the consolidated balance sheet. Apart from the cash flow analysis, there aren't many points to discuss.

The significant increase in net unrealized gains on available-for-sale securities is due to our holdings of stocks listed on the Taiwan Stock Exchange, whose market value has increased slightly.

## YoY Analysis of Cash Flows: FY3/2024 Against FY3/2023

1. FY3/2024 Q4 & Full-Year Highlights



### YoY Analysis of Cash Flows: FY3/2024 against FY3/2023

Consolidated Commerce One Holdings		(Thousands of yen)	
	FY3/2023	FY3/2024	YoY Change
<b>Cash flows from operating activities</b>	<b>163,971</b>	<b>778,607</b>	<b>+614,636</b>
Profit before income taxes	679,533	696,045	+16,512
Depreciation	117,756	119,924	+2,168
Decrease (increase) in deposits paid	(111,289)	111,226	+222,515
Other	(132,708)	19,611	+152,319
Income taxes paid	(282,207)	(195,533)	+86,674
<b>Cash flows from investing activities</b>	<b>(56,403)</b>	<b>(367,764)</b>	<b>(311,361)</b>
Purchase of intangible assets	(101,633)	(113,748)	(12,115)
Purchase of investment securities	(9,996)	(278,625)	(268,629)
<b>Cash flows from financing activities</b>	<b>(142,767)</b>	<b>(307,406)</b>	<b>(164,639)</b>
Purchase of treasury shares	(139,154)	(109,797)	+29,357
Dividends paid	—	(193,995)	(193,995)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(34,744)</b>	<b>125,154</b>	<b>+159,898</b>

Deposits paid recorded in FY3/2023 for repurchase of treasury shares under a discretionally trading contract, which was completed in FY3/2024

- Prepaid fee for servers increased to get a discount
- Income taxes refund receivable recorded in FY3/2023

Capital contribution to Enecycle (a decrease of JPY250,800 thousand)

Share repurchase implemented during FY3/2023–FY3/2024

Interim dividends paid

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16

**Shimizu:** This is the cash flow statement. To highlight the major points, the cash outflow for the acquisition of intangible fixed assets is due to ongoing software development.

The cash outflow for the acquisition of investment securities was approximately JPY270 million, with most of this being our investment in Enecycle. We also acquired and retired treasury stock this fiscal year.



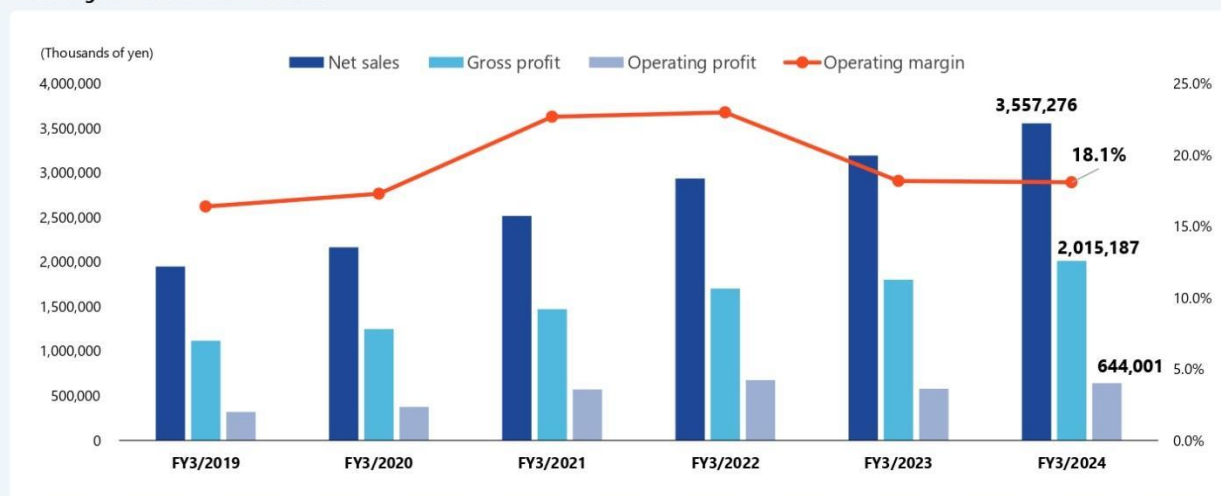
## Changes in Consolidated Operating Results for the Past 5 Years

1. FY3/2024 Q4 & Full-Year Highlights



### Changes in Consolidated Operating Results for the Past 5 Years

For FY3/2024, the Group achieved consistent sales growth while making personnel-related investments for future growth and executing PMI after M&A. Despite some delivery schedule postponements at SOFTEL, gross profit increased due to higher ARPU at Futureshop. Operating profit also increased due to some policy changes in advertising expenses. Profit attributable to owners of parent decreased due to an increase in taxable income following the provision of allowance for doubtful accounts for loans to SOLAIRO and incurrence of non-deductible items including loss on valuation of shares.



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\* PMI stands for post merger integration, a process of consolidating two companies into one after M&A.

17

**Shimizu:** This shows the consolidated performance trends. Although we generated a certain amount of profit this fiscal year, the operating margin was 18.1%, roughly the same as the previous year.

While we expect SG&A expenses to increase slightly in the future, we aim to maintain and improve the operating margin through cost reductions and other measures.

## FY3/2025 Full-Year Earnings and Dividend Forecasts

2. FY3/2025 Full-Year Forecast



### FY3/2025 Full-Year Earnings and Dividend Forecasts

Consolidated

#### Commerce One Holdings

(Thousands of yen, unless otherwise stated)

	FY3/2024 Results	FY3/2025 Budget	YoY Change	YoY % Change
Net sales	3,557,276	3,815,446	+258,170	+7.3%
Operating profit	644,001	604,956	(39,045)	-6.1%
Ordinary profit	702,414	683,343	(19,071)	-2.7%
Profit attributable to owners of parent	414,864	454,730	+39,866	+9.6%
EBITDA	794,441	740,169	(54,272)	-6.8%
Dividend payout ratio	46.8%	31.6%	-15.2%	-
EPS (yen per share)	57.53	63.22	+5.69	+9.9%
ROE	15.2%	15.2%	-0.0%	-

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19

**Shimizu:** This is the performance forecast for the fiscal year ending March 2025. We plan for net sales of JPY3.815 billion, a 7.3% increase compared to this fiscal year, but operating profit is expected to be JPY604 million, a 6.1% decrease. We also expect a decline in ordinary profit.

One reason for this is that our group has traditionally not conducted much marketing, but with the increase in e-commerce platforms, we believe marketing is necessary to grow our customer base, so we have allocated a substantial budget for it.

However, we will continue to pay dividends, with profit attributable to owners of parent expected to increase by about 9.6% to JPY454 million. As a result, while regular dividends will increase, the payout ratio will be 31.6%.

For the fiscal year ended March 2024, we paid a commemorative dividend of JPY20 and a regular dividend of JPY18, so the regular dividend is planned to increase from JPY18 to JPY20. However, since the fiscal year ended March 2024 included a commemorative dividend, the payout ratio was quite high at 66.1%, whereas for the fiscal year ending March 2025, we plan for a payout ratio of 31.6%.

ROE is set at a target of 20% in our mid-term management plan announced last year. For this fiscal year and the next, it is 15.2%, as we are in a phase of investment. We aim to improve investment efficiency and reach 20% in the fiscal years ending March 2026 and March 2027.



## FY3/2025 Full-Year Earnings and Dividend Forecasts

2. FY3/2025 Full-Year Forecast



### FY3/2025 Full-Year Earnings and Dividend Forecasts

#### Net sales

Start monetizing new businesses such as financial business and generative AI business.

**future shop**

Expect an increase in net sales due to an increase in recurring revenue from the revision of usage fees and an increase in advertising operation sales.

**SOFTTEL**

Expect only a slight increase in net sales because we will prioritize in developing Commerce Connect, while at the same time improving profit margin.

#### Operating profit & EBITDA

Expect to increase by JPY25,000 thousand primarily through contribution from new businesses.

**future shop**

Expect a decrease in profit mainly due to an increases in expenses such as hiring expense to acquire design and marketing personnel, additional investments in various marketing efforts, Tokyo office expenses and security measures expenses.

**SOFTTEL** SAMURAI TECHNOLOGY

Expect to increase profits by improving profitability through reducing various costs except for investing in personnel.

#### Ordinary profit

In addition to the factors for a decrease in operating profit mentioned in the left column, the following factors are expected to cause a decrease in ordinary profit.

- Increase due to posting of share of profit of entities accounted for using equity method for Enecycle, which will become an equity-method associate of the Company.
- Adoption of a conservative stance in not projecting foreign exchange gains, more-than-expected dividends from investee companies, and one-time gains that were recorded in the previous fiscal year

#### Profit attributable to owners of parent

In the previous fiscal year, taxable income increased due to a number of non-deductible items, but in the fiscal year under review, net income is expected to increase due to a decrease in taxable income.

#### Dividend payout ratio

Although the dividend payout ratio for the fiscal year under review will decrease due to the absence of the commemorative dividend paid in the previous fiscal year for the 20th anniversary of Futureshop, we expect to achieve the dividend payout ratio of around 30% in line with our announced policy.

#### EPS

Expect an increase in EPS through improved profitability and controlled cost based on appropriate investments to be made.

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20

**Shimizu:** Here are the specific details of our full-year performance and dividend forecast. Regarding sales, we plan to monetize new ventures in the financial and generative AI sectors.

For “futureshop,” due to recent price increases, we plan to revise our usage fees. We expect a slight increase in recurring revenue from this adjustment.

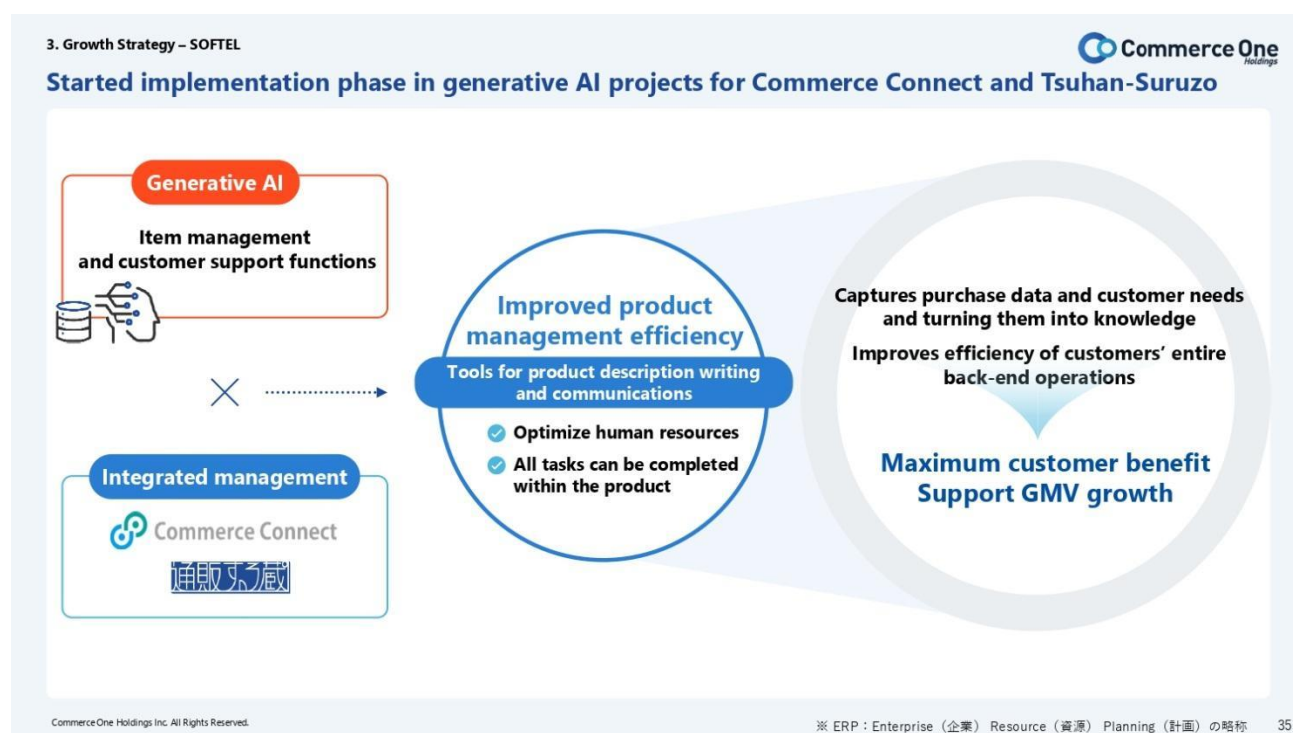
For Softel, we plan to prioritize the development of the new tool “Commerce Connect.”

For ordinary income and the reportable profit categories below it, we anticipate recording investment gains from Enecycle. This will result in higher ordinary income compared to operating profit.

The dividend payout ratio is planned to be 30%. Our basic stance is to maintain a payout ratio of over 30%.

**Arai:** Regarding the generative AI business mentioned in the sales forecast, could you explain what this entails and provide an update on its current progress?

## Started Implementation Phase in Generative AI Projects for Commerce Connect and Tsuhan-Suruzo



**Shimizu:** We plan to incorporate generative AI into our back-office tools, “Commerce Connect” and “Tsuhan-Suruzo.”

Currently, the practical use of generative AI in business is mainly for efficiency improvements. For instance, our e-commerce site customers often face the labor-intensive task of creating and inputting vast amounts of product descriptions.

Generative AI can help by automatically generating product descriptions when details such as color, size, and material are input. We aim to integrate these convenient features into our tools.

## Background of Investment in Enecycle (Approaches to the Global Decarbonization Market)

1. FY3/2024 Q4 & Full-Year Highlights

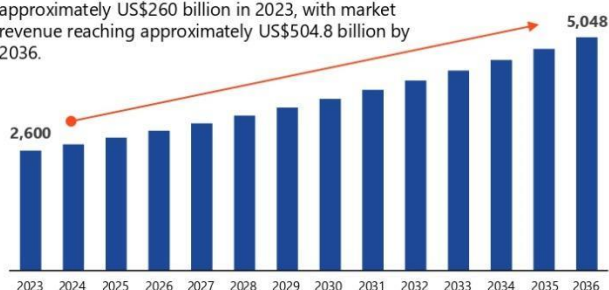


### Background of capital contribution to Enecycle Inc. (Approaches to the global decarbonization market)

As a business infrastructure company that supports the sound development of society, the Group will contribute to the development of a sustainable society and enhance its long-term corporate value through the investment in the business of Enecycle Inc., which develops a touch point for the global decarbonization market (See right).

#### Decarbonization market is growing

The size of the decarbonization market is reported at approximately US\$260 billion in 2023, with market revenue reaching approximately US\$504.8 billion by 2036.



\* Source: Report on Decarbonization Market by SDKI Inc (February 20, 2024)



Environmental responsibility of businesses



Enecycle Inc.

#### Synergies with TradeSafe (plan)

- Traceability of raw materials
- Consideration of certification services for safety and security



#### Corporate credibility from an internal perspective

As President Okamoto has been involved as a founder since the company's inception, we see solid growth potential in the company.

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21

**Shimizu:** Let me explain the investment income associated with our equity-method investment in Enecycle. While this is a different area from our usual business, our core mission as a business infrastructure company is to contribute to the healthy growth of society. Our original business, TradeSafe, was established to address social issues related to online troubles and safety concerns.

Our fundamental approach is to address social challenges through business, generating revenue and growth.

Based on this philosophy, we have been solving safety and security issues for domestic e-commerce businesses through the “TradeSafe Trustmark” and providing an e-commerce platform for small and medium-sized enterprises to expand their market reach nationwide.

Currently, by investing in Enecycle, which offers concrete solutions for the major social issue of decarbonization, we are approaching the global decarbonization business market and contributing to sustainable societal development. This also aims to enhance the corporate value of our group.

Specifically, besides investment income, we expect synergies with TradeSafe in the growing carbon credit market and raw material certification systems, projected to expand by 2030.

As a founder of Enecycle, we have observed its potential and steady growth over the past nine years, reinforcing our commitment to this sustainable investment.

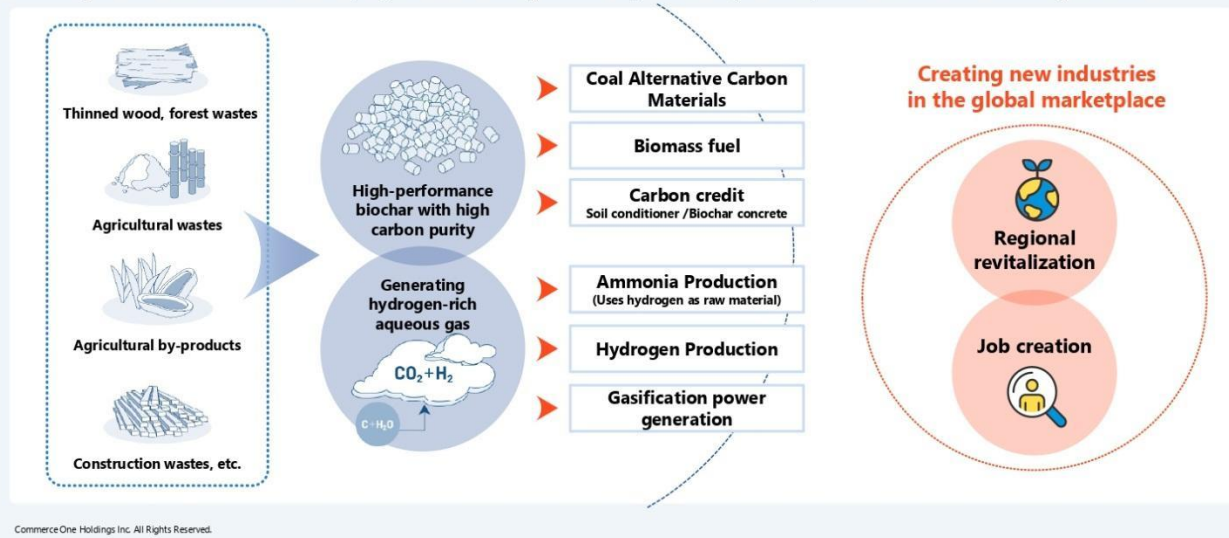
## Enecycle's Business

1. FY3/2024 Q4 & Full-Year Highlights



### Enecycle's Business

Enecycle generates next-generation energy and provides decarbonization solutions by utilizing its proprietary technologies to carbonize and gasify biomass resources such as waste plants. The company has developed a new hydrogen production method, which has been adopted as a demonstration project (for biomass-derived hydrogen production process) by the Ministry of the Environment. The project is currently underway with major companies in various industry sectors.



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22

**Shimizu:** Enecycle has independently developed carbonization and gasification technologies for biomass resources such as waste plants and holds patents for these technologies. This allows them to convert biomass resources into next-generation energy (such as coal alternative fuel and hydrogen), providing various decarbonization solutions.

As mentioned, they have been selected for demonstration projects by the Ministry of the Environment and have developed new hydrogen production methods. Currently, they are engaged in projects with leading global energy companies and major companies in various industries.

Enecycle is working on converting an estimated 2.5 billion tons per year of waste biomass resources into decarbonized energy. This represents a scalable market with global energy demand. In Japan, the GX Promotion Act (Act Concerning the Promotion of a Smooth Transition to a Decarbonized Growth-Oriented Economic Structure) was passed last year, securing a significant budget.

Going forward, carbon credits and other decarbonization efforts will become global topics. Many waste plants are located in developing countries and remote areas. By collaborating with these regions and bringing business there, we aim to create local revitalization and job opportunities, contributing to the eradication of global poverty. This alignment with our philosophy has led to our investment in Enecycle.

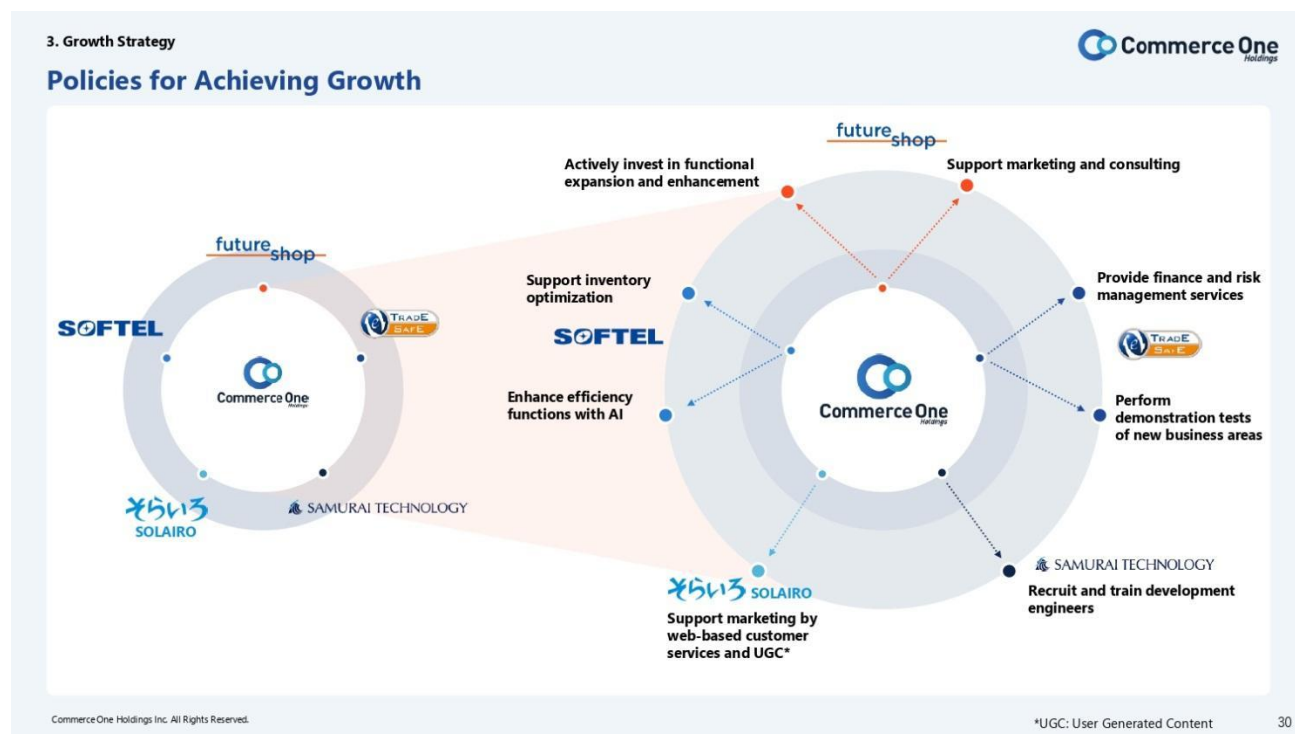
Additionally, leveraging our experience in providing safe and secure certification services through TradeSafe, we aim to expand into certification areas ensuring traceability in the carbon credit market and raw materials.

Supporting companies that solve urgent global issues like achieving a decarbonized society through business aligns with our fundamental approach of fostering a healthy e-commerce society as a business infrastructure.

In 2019, Enecycle's business domain was recognized by the IPCC (Intergovernmental Panel on Climate Change) as a key method for reducing CO<sub>2</sub> in the atmosphere. This indicates the potential for business development and expansion.

While such investments are rare, creating touchpoints with the e-commerce business to contribute to societal betterment and improving profitability will enhance corporate value in the medium to long term.

## Growth Policy



**Shimizu:** Let me highlight the key points of our growth strategy.

Firstly, our growth policy. As stated on the slide, we aim for solid growth in all areas, including futureshop, Softel, TradeSafe, and engineering.

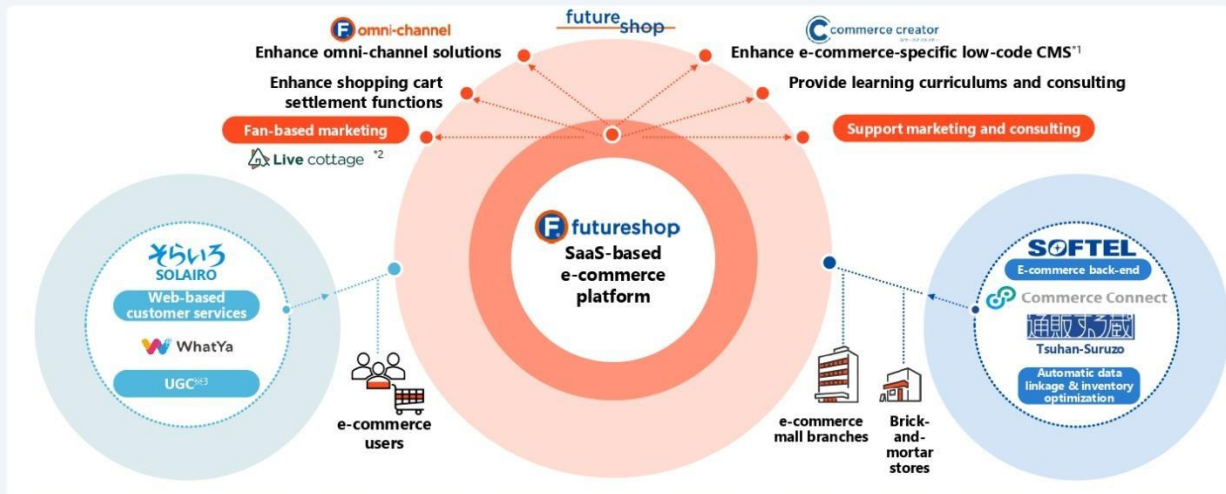


## Medium-Term Policies for Achieving Growth

### 2. Growth Strategy

#### Medium-term Policies for Achieving Growth

Incorporate Group companies' highly specialized services into futureshop to create a stronger platform, while allowing Group companies to use the futureshop's customer base.



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\* 1 Low-code CMS : Content management system using the minimum necessary source code \* 3 UGC: User Generated Content

\* 2 Live cottage : A service that can deploy live commerce to customers by setting up a live-streaming venue within the company's own e-commerce site

31

**Shimizu:** This is our medium-term growth policy, focusing on how we plan to grow in the near future. The primary revenue driver is “futureshop.” We aim to enhance synergies by integrating specialized services from each company into the futureshop platform.

Historically, each company operated independently. Moving forward, we plan to integrate the solutions of our group companies into the futureshop platform more consistently.

futureshop is a platform for creating own websites. E-commerce operators who have their own sites often also operate on malls like Rakuten and Amazon and may have physical stores. By covering this with “Tsuhan-Suruzo,” we can centralize the management of all sales and product data held by e-commerce operators.

We believe this will enable us to provide appropriate consulting and business support to e-commerce operators, making it a core component of our medium-term growth strategy.

## Commerce Connect

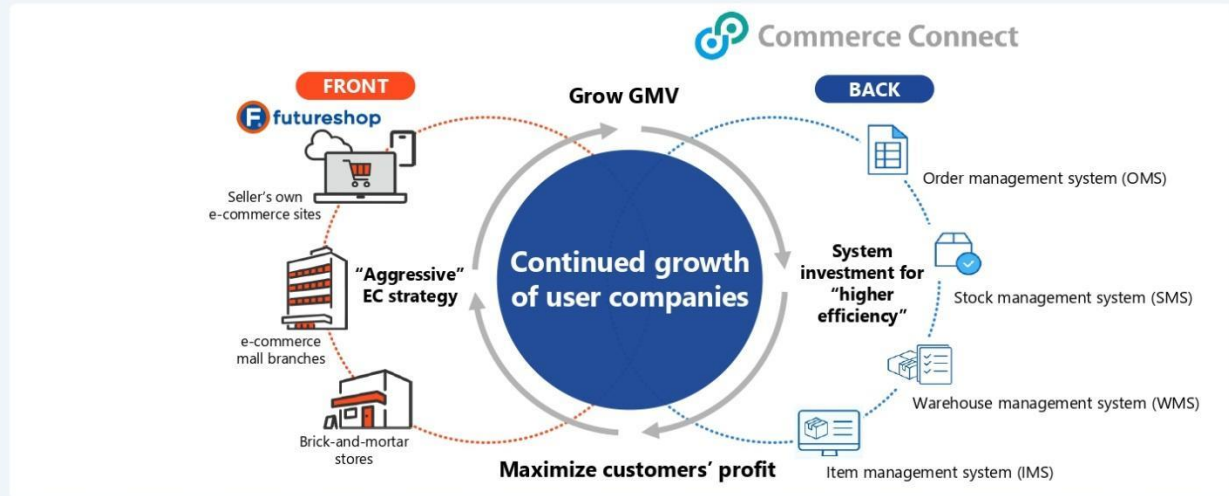
3. Growth Strategy – SOFTEL



### Commerce Connect

**Provides SaaS-based multi-shop management functions.**

**Helps boost business growth by increasing expandability through modularization of functions with high demand for customization.**



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33

**Shimizu:** This is "Commerce Connect," as mentioned earlier. E-commerce businesses tend to be labor-intensive. We aim to transform them into "data-intensive" operations.

We plan to offer this through a SaaS model. Many customization requests from customers are accumulated in Softel. By modularizing the most frequently requested features, we believe we can offer a SaaS system that meets customer needs.

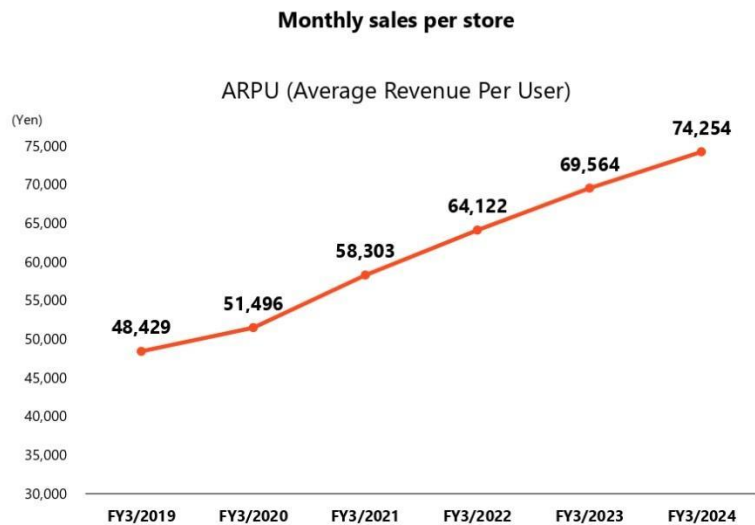
Currently, we are providing customized solutions, but we also aim to offer a parallel SaaS system.

## ARPU (Average Revenue Per User)

4. Overview of Our Business – futureshop



### ARPU (Average Revenue Per User)



With the expansion of the e-commerce market, the functions required for the growth of EC business are expanding.

Given the situation above, ARPU will steadily increase due to expanded use of optional functions and alliance tie-up services.

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40

**Shimizu:** Our business is progressing little by little.

Although we've prepared many slides, we won't be able to go through all of them today. We appreciate it if you could review the materials later.

Please refer to "[Financial Results briefing materials for Q4 and Fiscal Year Ended March 31, 2024](#)" for more information.



## Question & Answer

### Q&A: Characteristics and Strengths

**Masui:** We received the following question: There are many companies supporting e-commerce site operations. What are your company's characteristics and strengths?

**Shimizu:** One of our main strengths is that we have both front-end and back-end capabilities. Looking forward, we aim to leverage this by integrating data use across these platforms.

We believe we are unique in our ability to handle and aggregate all product data from front-end platforms, malls, and physical stores into a comprehensive platform.

Although we haven't fully utilized this strength in the past, we are now developing internal technologies to process data in various ways. We plan to effectively return this value to e-commerce operators by supporting them robustly.

### Q&A: Differences Between "Commerce Connect" and "Tsuhan-Suruzo"

**Masui:** A follow-up question: What is the main difference between "Commerce Connect" and the existing "Tsuhan-Suruzo"?

**Shimizu:** "Tsuhan-Suruzo" is customized to fit the tools that our customers already have. While this meets their needs, the landscape is constantly changing, and security requirements also arise, necessitating customization with each change. This inevitably leads to higher running costs, which can be considered a drawback.

In the SaaS model, we include frequently requested features from the start and control all updates on our end, significantly reducing running costs. The main difference lies in this aspect. Additionally, the SaaS model offers both time-consuming, large-scale customizations and convenient, light-use features.

**Masui:** With this integration, companies aiming for DX-like reforms can transition smoothly.

**Shimizu:** Exactly.

### Q&A: Overseas Customers

**Arai:** There's another question: Do you have overseas customers for your e-commerce business?

**Shimizu:** We basically don't have overseas customers. As mentioned earlier, the strength of futureshop lies in customer success.

In customer success, our in-depth knowledge of Japanese commerce is key. While we do engage in cross-border e-commerce, we are not focusing on overseas businesses but rather on supporting small and medium-sized e-commerce operators in Japan. Our customer success team, well-versed in Japanese commerce, engages daily with these operators, advising them on how to increase their e-commerce sales.

We offer SaaS systems along with academy courses and email support to help businesses grow. In this sense, our target is more on Japanese small and medium-sized enterprises rather than overseas customers.

**Arai:** That means the yen's depreciation doesn't affect your company.

**Shimizu:** That's correct. There is minimal impact.

### **Q&A: Application for Prime Market**

**Masui:** There's another question: Are you considering applying for the Prime Market?

**Shimizu:** We are currently listed on the Growth Market, and for a company listed there, our earnings are relatively stable. However, in terms of the Prime Market, our top line is still somewhat small. Before considering such a move, it is important for us to focus on the steady growth of our business. While we do consider it for the future, we believe we are not yet at that level.

### **Q&A: Reason for Holding Taiwanese Company Shares**

**Arai:** There's a question: Why do you hold shares in a Taiwanese company?

**Shimizu:** This is because our CEO, Okamoto, had invested in this company before our listing. It was an old business relationship, and we have been trading with this company, particularly entrusting them with developing engineering resources. Fortunately, the company has grown and gone public, significantly increasing its stock value.

So, it wasn't a case of buying publicly traded stocks, but rather that a company we were trading with happened to go public and their stock value rose significantly.

**Arai:** So, it's a company that has created synergies in terms of development.

**Shimizu:** Exactly.

**Arai:** Will you continue to hold these shares in the future?

**Shimizu:** Rather than continuing to hold them, it might be more accurate to say that we plan to monetize them effectively.

### **Q&A: Future Expansion Strategy Considering Customer Cost Burden**

**Masui:** There's another question: Unlike large corporations, the small and medium-sized enterprises you support face a heavier cost burden. What are your plans for future expansion and growth strategies?

**Shimizu:** As our main offering is the platform provided by futureshop, we charge customers for services that become part of their expenses. We constantly emphasize within our group that our business can only succeed if our customers grow, and we actively support their growth.

Therefore, helping e-commerce operators grow is our primary focus. We provide academy courses, daily phone and email support, consulting, contracted advertising operations, and some free services, all aimed at running alongside our customers' e-commerce businesses.

Our approach is to increase sales alongside managing expenses. We are committed to ensuring that while expenses are controlled, sales are also robustly increased.

## **Q&A: Sales Approach**

**Masui:** There's another question: You mentioned that you haven't focused much on marketing so far, yet you offer over 100 e-commerce support services. What has been your sales approach until now?

**Shimizu:** Mostly through word-of-mouth. Many customers have started using futureshop because they heard from others that our support is excellent.

We haven't done much online advertising for a long time, so futureshop isn't widely known. Those who know about it are aware, but if you search online, many other SaaS platforms come up, and futureshop often appears lower in the results. That's why word-of-mouth has been significant for us.

It's encouraging to hear that people say, "Using futureshop helps increase e-commerce sales."

However, unlike in the past, there are now many platform options available. Amidst the growing number of platforms, we recognize the need to engage in proper marketing to attract new customers.

## **Other Questions and Answers from the Day**

Here are additional questions and answers that we couldn't cover during the session but were answered by the Company afterward.

### **Question 1**

**Question:** You've mentioned a focus on security. Can you provide specific details on your initiatives?

**Answer:** For futureshop, we conduct regular server maintenance to enhance server security. We also provide our customers with security guidelines and hold security workshops to help them protect consumer personal information and safely run their online shops.

By regularly hosting these security workshops online, we share the latest security information and teach methods to improve the security levels of e-commerce sites, which are important to keep in mind on a daily basis.

### **Question 2**

**Question:** Will you disclose specific numbers for the growth businesses, futureshop, Softel, and other subsidiaries?

**Answer:** In the appendix of the medium-term management plan disclosed on November 14, 2023, we have provided the sales and operating profit trends for futureshop, Softel, and new businesses.

These figures include targets up to the fiscal year ending March 2027, and we aim to achieve them by executing the growth strategy outlined in the same document. For quarterly disclosures, please refer to each company's financial summaries.

### **Question 3**

**Question:** Regarding the transcript of the briefing, is it intended for institutional investors or individual investors? Could you specify in future IR announcements whether the briefing is for institutional investors, individual investors, or both?

**Answer:** Currently, we don't differentiate between briefings for institutional and individual investors. We apologize for any confusion. Going forward, we will focus on hosting briefings for individual investors and ensure that our announcements are clear.

#### **Question 4**

**Question:** Will you consider introducing shareholder perks in the future? Many shareholders prefer that your high dividends remain focused on dividend returns.

**Answer:** We are not considering the introduction of shareholder perks. As mentioned, we aim to maintain a dividend payout ratio of 30% as stated in the medium-term management plan announced in November 2023 and return value to our shareholders through dividends.